Weekly Economic Review

Shelter costs lift inflation

Consumer Price Index

Alberta inflation stays above 2%

Alberta inflation in September was 2.6%, relatively unchanged since July. The main driver of Alberta inflation continues to be shelter costs, which include some volatile energy components such as natural gas and electricity. Shelter costs have been rising faster than other prices for well over a year (Chart 1). Food inflation remains elevated at 2.7%, driven by a 13.0% year-over-year (y/y) increase in the price of meat, the highest increase since 1990.

Nationally, inflation was 2.0%, exactly in line with both the Bank of Canada's target inflation rate and Core inflation, which the Bank uses to measure underlying inflation, because it excludes the 8 most volatile components of CPI, also came in at 2.0%.

Resale Housing

Housing market eases

The Alberta housing market eased slightly in September, with sales falling 3.1%. Sales were still up 3.6% over September 2013, though this was the lowest year-over-year growth rate in well over a year (Chart 2). New listings also declined, down 6.3% from August, but up 4.9% from last year. Overall, the market remains tight with a sales-to-new listings ratio of 0.68. The average resale price strengthened over the previous 12 months, rising 5.2%. Year to date, sales (+8.2%), new listings (+5.1%) and the average price (+5.3%) were up substantially over the same period of 2013.

Though sales were down slightly in September, the Canadian housing market continues to improve, with a solid increase in both sales and average prices compared with September 2013.

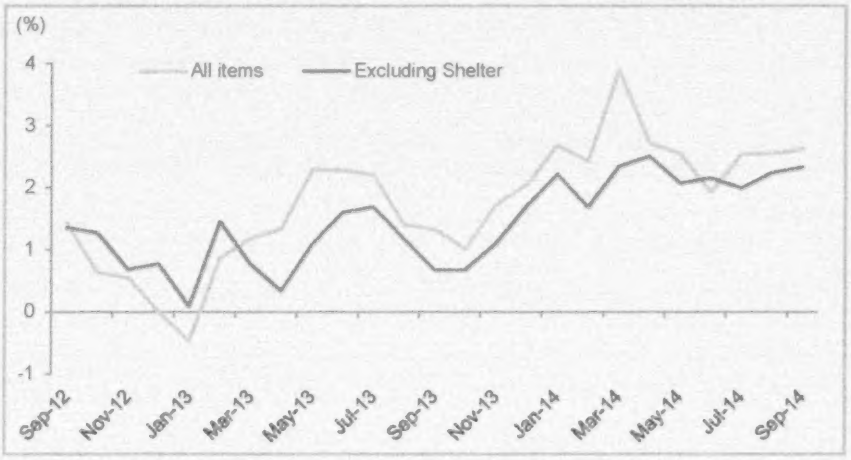
Non-Residential Construction

Commercial investment stokes gains

Investment in Alberta non-residential construction was up 3.4% in the third quarter compared with the second, and was 7.8% higher than in the third quarter of 2013. Investment in commercial buildings, which makes up the bulk of non-residential construction, increased by 3.6% over the second quarter to an all-time high,

Chart 1: Shelter costs continue to pull up inflation

Year-over-year Alberta CPI inflation



Source: Statistics Canada

Chart 2: Sales and new listings growth eases while price growth holds steady

Growth in Alberta sales, new listings and average resale price

Source: Canadian Real Estate Association (CREA)

eclipsing the previous high set in 2008. Commercial investment has increased 12.5% over the last year, with growth centered in Edmonton. Strong commercial investment combined with a spike in institutional investment was more than enough to offset three successive quarterly declines in industrial construction.

Manufacturing Sales

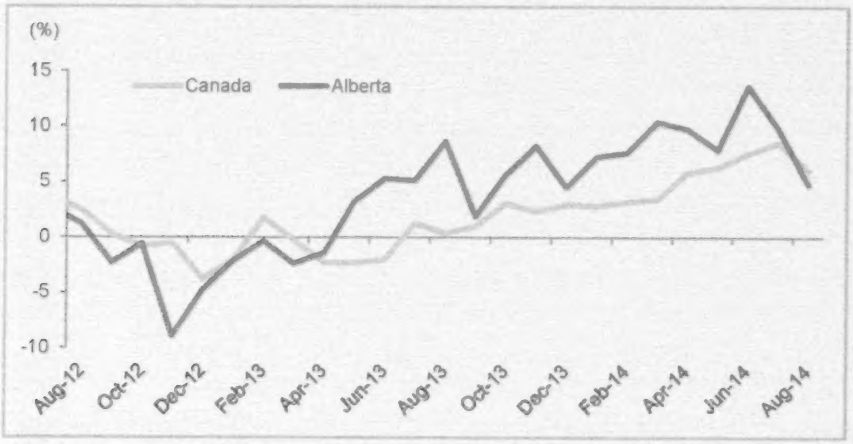
A drop in sales

Albertan manufacturing sales fell 2.8% in August, due in part to weakness in chemical and petroleum & coal manufacturing. Despite the slump in growth from the previous month, sales increased 4.8% from a year ago, and are up 8.9% year-to-date. Chemical manufacturing decreased 4.4% from July, though was up 7.3% over August 2013. Lower prices and a disruption at a major refinery decreased sales of petroleum & coal products by 5.2% over July.

Nationally, sales fell 3.3% in August, but were up 6.1% from August 2013. This was the first time in well over a year that year-over-year growth in manufacturing sales nationally was higher than in Alberta (Chart 3).

Chart 3: National manufacturing sales growth overtakes Alberta

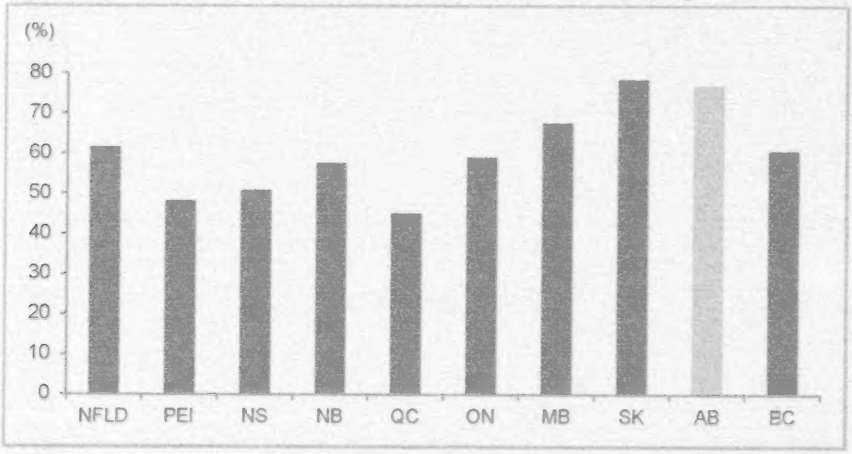
Year-over-year change in manufacturing sales



Source: Statistics Canada

Chart 4: Trucks roll on the prairies

Light truck sales as a share of total new motor vehicle sales, August 2014



Source: Statistics Canada

New Motor Vehicle Sales

Still cruisin'

In August, there were 24,968 new motor vehicles sold in Alberta, an increase of 6.0% from August 2013. Sales of pick-ups, SUVs and other light trucks showed continued strength with 19,238 vehicles sold in August, an increase of 9.4% y/y. Light truck sales make up the vast majority of new motor vehicle sales in Alberta (77.1% in August), the highest proportion among provinces (Chart 4). The dollar volume of new motor vehicle sales was up 7.3% y/y.

Nationally, new motor vehicle sales grew by 7.9% y/y, buoyed by a 13.4% increase in sales of light trucks.

Portfolio Investment

Investment in Canada picks up

Foreign investors added $10.3 billion in Canadian securities to their portfolios in August. Debt securities accounted for $8.0 billion of the incoming investment, with equities making up the difference. Canadian investment in foreign securities fell to just $33 million. Since the beginning of the year foreigners have invested $52.4 billion in Canadian securities, compared with $32.4 billion in foreign securities purchased by Canadians.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.